DOW THEORY LETTERS INC.

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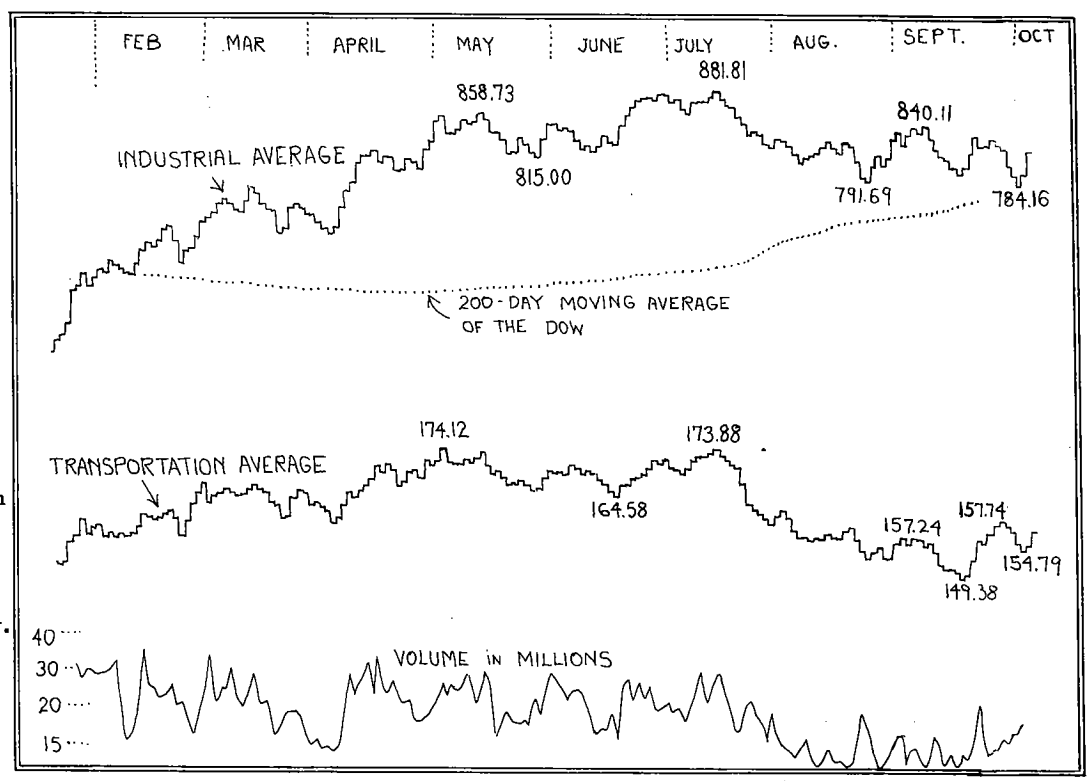
THE PICTURE: A famous psychiatrist once stated that "All progress is made by examining the obvious." A few centuries ago it seemed obvious that the earth was flat. Then man examined the obvious and his perception changed. A little more than thirty years ago it appeared obvious to every thinking man that France's mighty Maginot Line was impregnable to Hitler's army or to anyone else's armies. It was just as obvious that the Germans would roll over Russia in a matter of weeks or months. But the Maginot Line collapsed under the full brunt of Hitler's dive bombers and Panzer divisions. And the same German armies were annihilated as they froze in their tracks deep in the heart of mother Russia.

There are many factors which are "obvious" today. The world is in deep trouble. Japan is in a recession, France and Germany are pumping up their money supply in an attempt to get business moving again. Britain, financially speaking, is about over the edge, and the pound is sinking to new all-time lows. The Italian mess is growing worse by the month, and even South Africa is now in the grip of a slump. Perhaps the best gauge of what is happening is provided by the bankruptcy figures, which are now rocketing. In the first half of 1975 West European bankruptcies rose to 2,567 as against 1,557 in the same period last year.

As the dollar strengthens against European currencies, it becomes easier for Europeans to sell their merchandise here. And that is exactly what they would like to do. Which would be a wonderful policy except that American businessmen aren't exactly burning up the world themselves, and consequently they are screaming "Europe is dumping" at our Commerce Dept., and at their local Congressmen and Senators. Meanwhile, interest rates are moving up, NYC's solvency level is moving down, and matters have become so bad that Chase Manhattan's David Rockefeller has assumed an "I want Washington to help NYC" stance, a stance which is in direct opposition to his brother, Nelson's (and Nelson happens to be Vice President of these United States).

I am receiving anxious letters from subscribers, and they want to know whether I think our Government will let NYC "go under" or "belly up" (the latter has become a favorite Wall Street expression). My answer is going to be rather cynical. I believe that NYC would be allowed to sink if it were simply the American people who owned the notes and bonds of the City. But in general, the big boys and the banks own NYC (including, of course, David Rockefeller's Chase Manhattan Bank). Therefore, I must admit that I feel that there could well be a "last minute save" for Fun City, some kind of miraculous bail-out(which would serve to preserve the honor of Mayor Beame, Governor Carey, and the American free enterprise system).



Then too, there is (and I am serious) the matter of dominoes. If NYC goes, the state will at least wobble, investors will get that panicky feeling in their guts at the prospect of buying other big city minicipals, and the whole capitalist system could develop the palsy. Remember, modern-day America was built on the thesis that you can buy what you want today with (cheaper) money that will be printed tomorrow. But what happens

when the situation suddenly changes? What happens when you can no longer borrow at any price, and consequently you can no longer pay for today? The whole concept is too frightening even to contemplate. Yet that is the question which is bound to surface if NYC takes the down escalator all the way to the bottom.

"Russell," you retort, "you're doing it, you're scaring the pants off me. So now that I've sold most of my gold coins, now that I've given them ASA and Homestake and West Driefontein, what do I do with all my hard cash, jam it in an old sock and hide the sock under the kitchen sink?" And my answer is, "Don't get the sock out yet, not quite yet." Let's just study the market and the Averages and see whether Wall Street is telling us that we are facing the financial equivalent of Hiroshima.

CRYSTAL-BALL: I think there is a very good chance that the reaction which began in May (for Transports) and July (for Industrials) ended on October 1 at a Dow closing price of 784.16.

Let's look at it this way. The news is so bad you can slice it with a cheese knife. The NYSE short interest (a gauge of market sentiment) is 1.87, which is in bullish territory (anything over 2.0 is very bullish), and it indicates that "everyone" is ready for a collapse. The short interest ratio for the 30 Dow stocks is 2.12, highest in 9 years. Speculative sentiment is now dead, and the options are candidates for the Trinity Church graveyard. Everybody is "expecting" a credit crisis, a bust in NYC, a shocker at the banks, a smash of the British pound. And it may all happen, but two factors enter here: (1) it may happen — but when? There's always that little matter of timing. (2) I believe the market already discounted any forthcoming disaster. Remember, Wall Street is very seldom taken by surprise!

If we study the page 1 chart of the Averages, it would appear that the two Dow components have been playing a game of "tag" on the downside. First we had the August 21 Industrial low of 791.69 with a Transport low a few days later (August 28) of 152.82. Then on September 16 we had a new Transport low of 149.38, but Industrials failed to confirm, and they held at 795.13, four points above their August 21 (791.69) low.

What happened next? A little rally, with a new decline in which Industrials recorded a new low for the entire series at 784.16 (October 1). But here it is the Transports that gave the lie to the downside, and they halted their decline at 154.79 (October 1), five points above the September 16 low. What it all amounted to was increasing resistance to the downside, increasing resistance to lower prices. As of October 1 the market, as gauged by the D-J Averages, appeared to be sold out.

If that's all true, then the market at the October lows very likely discounted the worst that could be seen over the period ahead. Frankly, I am less concerned about the downside potential (if we buy here) than I am about the upside potential. That's another way of saying that I think the very worst for the market could be one more "scare" decline which would not go very far on the downside. Conversely, on the upside I see the possibility of Dow 1000 to 1100 by January, 1976.

One of the big plusses for Wall Street, as I see it, will probably be an easing of interest rates and a feeling that the Fed has (at last) taken a firm grip on the whole economic situation (NYC, NY State, interest rates, bank solvency, etc.). But beyond that I see the big minus, and that script runs as follows: Let's say the Dow rises to over 1000 in January, interest rates come down, people are becoming very optimistic, and suddenly informed interests realize why interest rates are coming down. The reason is deflation, poor business, sagging commodity markets, lack of desire on the part of business for credit.

All this gives way to the next primary bear market. And the public, caught on the horns of a three to five month final advance for the bull market, once again faces the ravages of the bear.

That's a very tough, a very brutal scenario, and it is one of the reasons why I am rather careful about telling people to rush in now and "load up" with stocks. Yes, I do believe there is a potential big move here, and I do think it could take us into 1976. But it's not going to be that long a move; it's really going to be in the nature of a trading affair for the average investor. Therefore, there is a particular problem of tactics, and I will want to mention three additional items: (1) as stated in the last Letter, the reaction (according to Dow Theory) began on May 5, the point at which the Averages recorded their last joint highs. That means that the correction has lasted for five months, a respectable period for a decline in a bull market (actually, it was longer than average). (2) the general market, as measured by the advance-decline ratio, lost more than half of all its gains since last December. This is certainly a very adequate correction for the bull market. (3) I have stated many times that during a primary bull market credence should always be given to the upside. Thus, downside non-confirmations during a bull market (such as those we have recently witnessed) should be accorded a good deal more importance than upside non-confirmations. Consequently, I taken the series of downside non-confirmations since late-August as being of bullish import. All three of these considerations suggest that the reaction is over.

FIGURING: I'm borrowing a bit of thinking from Tony Gaubis (Anthony Gaubis & Co., PO Box 788, Sparta, NJ 07871). Tony has been around longer than about 90% of the people on Wall Street, he has been righter (over the years) than about 90%, and he knows as much about market fundamentals and the relationship of the Dow to earnings as any man I know. His thinking is always excellent, and his case for a higher Dow is well worth presenting. I include a few of Gaubis's recent comments below.

"Stock prices, as reflected by the Dow-Jones Industrial Stock Index, are currently at the equivalent of only about 10 times this year's probable earnings, and less than 9 times the earnings that appear to be in prospect for 1976. An advance to the equivalent of only 12 times next year's anticipated earnings would bring this market index up into the 1000-1100 range. This would

compare with highs ranging from 15 to 23 times earnings in all but 2 of the past 17 years, with the two exceptions being recorded when earnings were considered clearly abnormal because they had reached levels of more than 60% above the average earnings for the preceding 5 years.... it is not unusual for the stock market to "discount" the following year's earnings.)

"Stocks are also selling at abnormally low levels in relation to underlying asset values, in contrast with the levels reached in the past when stocks had rather fully reflected inflation prospects from at least a cyclical point of view."

I might add that Gaubis expects the Dow to earn around $85 to $88 during 1976. This means that at 12 times $85 in earning the Dow would sell for 1020, at 12 times $88 in earnings the Dow would sell for 1056. Considering that the year 1975 is a "fifth" year in the decennial pattern, and considering that the fifth year (i.e., 1955, 1965, 1975) is usually the best year of the decade, Gaubis's point is that the odds now favor the Dow selling at at least a lowly 12 times next year's projected earnings before 1975 is over (in other words, he feels the Dow should discount projected earnings for 1976 in this supposedly favorable fifth year).

I really can't argue with the logic presented by Tony Gaubis. He has been right in the face of almost unanimous opposition too many times for me to take a stand against him. Furthermore, I continue to believe that we are in a primary bull market, although suffering our second important correction within that bull market (the first correction occurred during November-December, 1974). What I wanted to show, however, was the logic of a possible rise by the Dow above 1000 before 1975 is out, a logic based on past history.

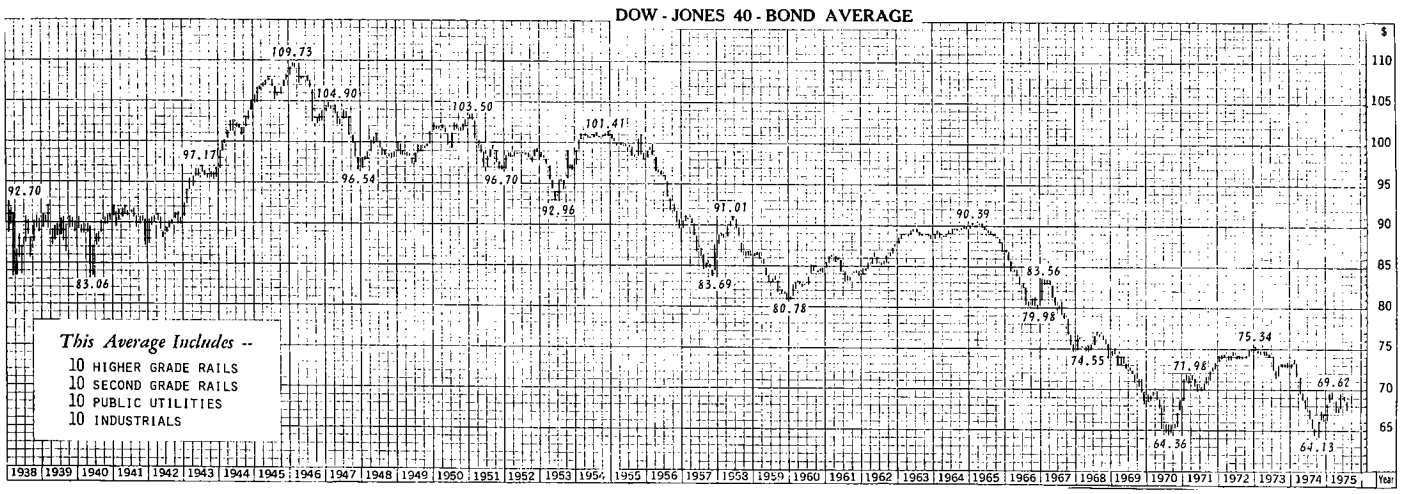
BONDS: I've been saying for some months that I believe we are forming the base for a major bull market in bonds. I was pleased to see my pen pal, Edson Gould, burst out in print with the same idea (WSJ, Oct. 3), and, of course, it always feels good to have Edson on your side (although I frankly prefer to have no one on my side). At any rate, I want to present my thesis again, and it is that we're going into deflation and that a major primary bull market in bonds is building. If that's true, then the long-term potential for high-grade bonds is probably as good or better than the long-term potential for common stocks at this point.

What makes me think that the bond markets are heading for better times? Well, in the first part of this Letter I talked about "examining the obvious." The most obvious "fact" around today is that the money markets are in a state of chaos — and getting worse by the day. The Government is running double (and perhaps triple) digit deficits, bankruptcies are running high, NYC is fighting for its financial life, the municipal bond market is in shock, a few of the nation's larger corporations are coming to the money market with massive offerings, and business is faced with the task of raising unprecedented amounts of new capital over the foreseeable future. In all the years I have been dealing with Wall Street, I have never seen such an absolute barrage of bearish news for bonds.

That's the "obvious" of the situation. But I ask myself why, in the face of all the obviously terrible news for bonds, the major bond indices do not smash to new lows? One of the most widely-followed of the bond Averages is the famous D-J 40-Bond Average, and as seen on the chart this Average has been in a pronounced primary bear market since early 1946. From its high of 109.73 recorded 29 years ago, the 40-Bond Average dropped to an extreme low of 64.13 in late-1974. That represents an incredible loss of 41.5%.

But notice that the 40-Bond Average has now traced out what I believe is a most important "double bottom." The first low came in 1970 amid the first great money crunch. At that time the 40-Bonds hit a low of 64.36. Then last year as the second great wave of tight money hit, the 40-Bonds touched an extreme low of 64.13.

The point I am making is that despite the obviously awful news for bonds and money instruments in general, the D-J 40-Bond Average has not made a new low in five years (the .23 penetration which occurred in 1974 was so minor that I would prefer terming the 1970 and '74 lows as a double bottom rather than successive new lows). The question I now ask myself is this: "Has the bond market bottomed out? Has the worst been fully discounted by the 40-Bond Average at the double bottoms of 1970-74? If so, we could be moving into a new conservative era, spearheaded perhaps by the painful and frightening lessons of NYC? Or are we simply going into deflation, is business going to remain soggy, and is the nation (willingly or unwillingly) going into a



period of debt repayment? Of course there is always the chance that the double bottom in bonds will not hold, and that this is the calm before the real storm. Personally, however, I believe that the 1970-74 double bottom in the 40-Bonds will hold. If it does, the bond market will be saying that dramatic changes are on the horizon for the American economy. It could be forecasting a period of rising liquidity. It could also be saying that today's fantastically high-yielding bonds present the best values of anything available in the investment world today.

Incidentally, those of us who have purchased the closed-end bond funds have undoubtedly noticed how well they have held in the face of all the abyssmal bond news. These funds, which are selling at a discount from net assets, represent a rather convenient method of investing in the bond market. For those new readers who have not had a chance to see the earlier bond-fund recommendations, the funds I suggest (all trading on the NYSE) are Pacific-American, Excelsior, Drexel-Burnham, Transamerica, American General (the last has a very good record and is the only fund which sells slightly above net assets).

NYC: We arrive at Kennedy Airport at 6AM, Thurs., Sept. 25. Rain coming down in sheets, and we marvel that the day before we were sunning ourselves on the San Diego beach in 90° weather. Semi-flood conditions in NYC, taxi driver warns us that it will take over two hours to get to the Gotham Hotel in the City, and he will have to go through uncharted Brooklyn sidestreets to avoid horrendous traffic. Trip to Hotel a nightmare, cost with tip is $23.00. Street flooded, cars stranded, umbrellas breaking and ripping in all directions.

We go to NYSE Club with friend, Jay Pack, for lunch. On way down we note faces on the subway. People are depressed, lifeless, subway is filthy, but graffiti painted on sides of all trains is beautiful, most human thing in the subway. At Stock Exchange Club it's a "man's world," 90% men, much talking, eating, many strained faces watching huge ten foot clock at back of room. Next, we go to Exchange gallery and note eerie quiet on the Floor. It's quiet because the market is down 10 points. There's nothing to cheer about.

On way back we look for umbrellas. No hawkers in sight. Go to Bloomingdale's which is now "in" store for NYC. Great selection of everything. Find boots, umbrellas of every kind. Men's department a sea of varieties, brands. All NYC an orgy of merchandise and Bloomingdale's is no exception. That night we go to the Palms Restaurant with old friends Peter Gimbel and Elga Andersen. Unbelievably huge and tasty lobsters served on giant platters. We have, by now, concluded that NYC knows nothing about salads but everything about other foods, whereas San Diego knows all about salads and little about any other foods (in San Diego any mediocre restaurant will serve you a superb salad whereas in NYC the best restaurants fail in the salad department, their salads being small, uninteresting, oily, generally insignificant). On the way home we get a shock — one block from our hotel we see man and woman screaming. Man claims he's been robbed. No police in sight. A felony on our first NYC night!

Friday the sun miraculously breaks out and the weather is magnificent. All NYC takes to the streets. We walk up Fifth Avenue and marvel at the change. People, dogs, baby carriages, blacks, whies, young and old, they are out and looking at the stores, the sky, each other. We go to Cariters and Tiffany's and study the gold work. It's fabulous. If it's for sale, NYC's got it, no question about it! NYC has the best, it has the worst. We stroll through the famed Plaza Hotel, meeting place of my boyhood. It's a bit shabby, but it still stands. It's literally the same as it was 40 years ago as are Saks Fifth, Radio City, Broadway, Central Park, all silent, incongrous sentinels of another era.

We meet James Dines and Tom Holt for lunch at the beautiful Sign of the Dove restaurant. Dines is informal, talkative, Holt is formal, shy, circumspect. After twenty minutes the conversation becomes animated, Holt joins in with the spirit of the ebullient Dines. Both are bearish on the US and world economy, but obviously long-term bullish on gold. I am more concerned with timing, they with long-term trends. As to the food, again the salads are disappointing, everything else outstanding. The Dove is almost unparalled for sheer looks, resembling a brick-constructed fantasy greenhouse, flush with every variety of plant and flower.

Afterwards we wander over to the Psychic Film Festival with Dines (who is always enthusiastic and impossible to keep up with). We see film on famed Indian mystic, Sai Baba. It's a fascinating experience and a great contrast with thing-oriented earthiness of NYC. That night we go to Le Club with Dines, private discotheque; stuffed with stars, personalities, but dancing not up to what we see on Coast. Maybe people are too busy eyeballing each other here. At midnight we see fabled jazz trumpeter Roy Eldridge at Jimmy Ryan's. I tell Roy that I saw him last in 1942 when he played at Kelly's Stables. Roy smiles, shakes his head in disbelief. Outside I'm amazed to see doorman Gilbert Pincus who has manned night club doors in NYC since I was a kid. Pincus now is his late 70's. People in NYC stay on job for decades. In California you're off and away in a year or so.

Saturday is spent in long walk up Madison, looking at fantastic number of art galleries and great art. We stop at Parke-Bernet, note many, many Arabs there who are looking and buying. See Jackie Kennedy Onassis who is quietly studying a wall of paintings. She is alone, mainly unnoticed. She is surprisingly attractive. At night we go to the extraordinary Maxwell's Plum, one of the most successful restaurants in NYC. At the bar people are standing six deep. Plum's a showplace with decor which would fill a museum. By this time I have concluded that NYC men are outstanding, strong-looking, intense, interesting. But for looks the California women reign supreme. The California girls in their bluejeans and T-shirts are a national asset (as is the talent and brains of NYC's men). That's my opinion, and nothing you can say or write will change my mind. On way back we see Norton Simon and Jennifer Jones, arm in arm, wandering up Fifth Avenue.

Sunday proves to be another perfect, sunny day. We are amazed to see so few compact cars in NYC, everything is big and bulky as per the 1960's (in California one sees an ocean of Datsuns, Toyotas and VW's). James Dines takes us for a ride in his Rolls Royce Silver Cloud. As we tool along I note that the streets in NYC are in shockingly bad shape. I also note that garbage is

piled everywhere (where are the $19,000-a-year garbage men?). Finally, I note that there is absolutely no new construction in the City — not a sign of a new building, nothing! Yet restaurants (all high-priced) are everywhere as is every possible variety of merchandise — most of it with Italian names (a Pucci, a Gucci, a Valentino or a snooty Rico-Pico).

Are we in Italy? Is this Rome before the fall? I wonder if the psychology isn't "spend it before you lose it or before they take it away from you. Eat, drink and ...." We drive down to the Village, Soho (the art colony), Chinatown. Dines feeds us at Key Sun, a tiny all-Chinese little hole in the wall. Five Chinese men are dicing vegetables at a table in the back (there are only seven tables in he whole restaurant). We're the only non-Chinese customers in the place. But the food is unbelievably good, we're amazed. It's so good that it's obscene. Dines glows at his triumph.

Dines is already talking about going to a famous Italian grocery to buy mango melons. He's suddenly developed a madness for mangoes. We jump into the blue Rolls and we're rolling up Sixth Avenue. Dines buys his mangoes, and we pick an immense Italian bread loaf. It will be our souvenir of the City, the "best" because it's fabulously good bread, and the "worst" because it's too delicious, and we won't be able to stop picking at it (and we'll probably gain five pounds because of it).

It's 6PM and we take off on American for a non-stop flight to San Diego. The plane climbs into a cloudless, transparent sky. Below us NYC becomes a tiny speck, a memory of wonder and faces and food and cement. Ahead lies the West Coast and the Pacific Ocean. I think to myself, "I couldn't live without the Pacific anymore." My heart has moved to the West, to the bleached sands and rolling waves of the Pacific.

KING DOLLAR: For some months now I have been saying that the dollar is king, it's the hottest thing around. After years of slipping and sliding against almost every other currency, commodity stock or what have you, the dollar embarked on an advance of truly historic proportions. You're skeptical, you don't believe it? Fair enough, so let's turn to the page 6 chart of seven widely-watched barometers. Let's see how each of them has fared against the dollar (and the chart shows each of these items, quoted in dollars, of course).

First we have the famous Dow Industrials, a blue chip average of 30 US corporate giants. Since January, 1973, the Dow has dropped mightily against the dollar, hitting its extreme low last December. Following the major December-July advance, the Dow (since July 14) has again gone down against the dollar.

The D-J Utility Average has also caved in against the dollar, dropping almost in half in dollar value between 1973 and late-1974. The Utilities have (like the Industrials) been slipping since July, 1975.

The D-J 40-Bond Average has been sinking against the dollar for so long that most of today's analysts and brokers don't remember what a bull market in bonds looks like. Following a late 1974 rally into 1975, the 40-Bond Average started its downside performance again.

US Treasury Bills, the shortest-term obligations of the US Treasury, are quoted in yields rather than price (yields are inverted on the chart so that as bill yields go down, the price of the bill goes up). Since July the T-bill yields have been rising, and of course this means that the T-bills have been falling in price in terms of dollars.

The tiger tank of the currency world, the Swiss franc reigned supreme all during 1973 and 1974 (along with the German mark). Then came 1975, and on the chart we see that the franc has been heading down in terms of dollars. Many months ago I expressed the opinion that the dollar was too cheap by perhaps one-third, in terms of the other major foreign currencies. For instance, a good meal in the US costs about $5 and in Europe one pays 50% to 100% more for a comparable meal. The drop in the Swiss franc since early 1975 has served to correct some of that inequity. In the end, all markets and items adjust to value.

Now we come to gold and gold shares. The chart does most of the talking for us here too. Gold is down about 25% from its high, in terms of dollars (or at least this was true at the September lows). The Gold Average (as listed in Barron's has lost about 40% of its value since the 1974 high. Not only that, gold shares appear to be in a major or primary bear market, and thus the dollar has not yet bowed its head before the cross of gold.

What does it all mean? Does it mean that the dollar is enjoying a renaissance, or does it mean that the dollar is merely undergoing a technical rebound from the extraordinary lows of early 1975? My own feeling is this: The US economy is a giant, but it is deficit-ridden and inflation-pocked. On the other hand, the overseas nations are not in nearly as good shape as we thought they were. They are moving towards the total pump-priming concept, and they are (for the most part) more vulnerable to higher oil prices, less able to compete in inter-national markets and less able to defend themselves, than the US. Therefore, I feel that the US gained strength as Europe and Japan lost it. In my way of thinking, the dollar became king by default.

All very well, you retort, but what of tomorrow? I believe that the dollar is now in the process of topping out against other currencies, at least temporarily, but this will take a bit of time. In general, I would say, expect the dollar to start moving sideways to down against the Swiss and German francs and the German mark.

CONCLUSION: All right, I want to see if I can wrap up this whole Letter in the form of some useable conclusions. First, I feel that there is an excellent chance that the stock market has bottomed, and by that I mean that one or both Averages will hold above their reaction lows on any further weakness (Industrials above 784.14, Transports above 149.38). This means that the time has come to step back into the market.

Second, I believe that we are forming the base for a major move in money-market and in debt instruments. In other words, I feel that interest rates have bottomed out. On October 6 my 13-day momentum line for 91-day Treasury bills reversed a 14-month trendline of rising interest rates. That should indicate an important forthcoming decline in interest rates! Therefore, I feel that 5 to 7 year (maturity) Treasury notes can be bought here along with high-grade bonds and the closed-end bond funds).

Third, I am of the opinion that we are still in a primary bull market, and that we could be moving into the area in which the bad news starts disappearing, clearing up. Last week my daily chart of the 7-3/4 Treasury notes of 1981 broke above its recent declining trendline. This tells me (along with the 91-day T-bill momentum line) that something important is occurring in the money markets. I tie this in with the excellent performance of the bond funds, and I conclude that the clouds are slowly and subtly lifting for holder of debt. I now believe that NYC is going to be "saved." I conclude that NY State is all right. I conclude that corporate liquidity is going to build up sharply. I conclude that there is going to be a good deal of bullishness and optimism around by the end of the year. That is what I think the stock market is telling me, and that is what I believe the bond (and money) market is telling me.

TACTICS FOR INVESTING: I could be wrong, I could be all wet in my views of the whole situation. But this is the way I see it, and this is the way I think it is safest to proceed. Based on my thesis that we are in a primary bull market and that stocks are going to go up and that interest rates are now heading down, I would place roughly 1/3 of funds in short-term debt instruments such as T-bills or a liquid assets fund, I would place another 1/3 of my funds in bond funds listed on the NYSE, and I would put the final 1/3 of my funds in leading closed-end stock funds such as Madison Fund or Tri-Continental (both listed on the NYSE).

Why, you ask, would you buy bond and stock funds instead of the straight bonds and stocks? Basically, my answer is that the funds give it to you all in one package, and this makes the investment easy to handle. Second, the closed-end funds are now in disrepute (as are the stock and bond markets) and I base this observation on the fact that they are now selling at substantial discounts from net assets. Thus, if I am correct and the stock and bond markets head up, the chances are that (1) the assets of both stock and bond funds will appreciate, and (2) the discount below net assets will narrow. Thus, we have a double-barrelled chance for higher prices in the closed-end funds.

Now here is another opinion: If interest rates are heading down and corporate liquidity is building up, what about utility stocks and telephone stocks? My answer is that they probably are on the bargain table now. I also feel that the preferred of the utilities and telephone companies are on the bargain table.

A few of my choices here would be American Telephone (and its convertible pref.), Virginia Electric, Columbus & S. Ohio, Puget Sound Power & Light, New England Electric, Toledo Edison, Arizona Public Service, Idaho Power, San Diego Gas & Electric. (Charts courtesy of Quote, PO Box 213, Wichita KS 67201).

NOTE: I wanted to get this Letter out faster than I had originally planned, and I am therefore mailing it two days ahead of schedule. The next mailing will go out October 22. In other words, I am taking a little extra time.

GOLD: I don't think gold or gold shares are a buy here, despite the fact that the metal is way down and the shares are on their "fannies." Gold should "test" the $128.75 level or even go slightly lower, but the ultimate trip down could be very tricky and extended in duration.